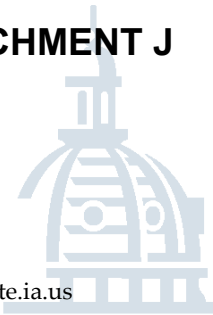


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TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: December 3, 2012

Monthly Medicaid Forecast – November 2012

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on November 30, 2012, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2013 and FY 2014. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Actual</i> <i>FY 2012</i>	<i>Estimated</i> <i>FY 2013</i>	<i>Estimated</i> <i>FY 2014</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 27,700,401	\$ 15,337,099	\$ 0
Veterans Home Transfer	2,447,911	3,533,208	0
Behavioral Health Account Carryforward	1,790,859	2,833,572	0
MH Risk Pool Carryforward	0	4,736,918	0
Health Care Transformation Account	1,956,245	7,065,203	0
Health Care Trust Fund	105,822,769	106,046,400	106,046,400
Nursing Facility Quality Assurance Fund	28,944,731	26,500,000	28,788,917
Hospital Trust Fund	36,714,318	33,898,400	33,876,000
hawk-i Performance Bonus	10,517,268	9,459,710	8,394,129
MHDS Redesign Funds	0	229,627,278	229,627,278
Total Non-General Fund for Medicaid	\$ 215,894,502	\$ 439,037,788	\$ 406,732,724
General Fund Appropriation	\$ 903,493,421	\$ 914,956,421	\$ 914,956,421
Total Medicaid Funding	\$ 1,119,387,923	\$ 1,353,994,209	\$ 1,321,689,145
Total Estimated State Medicaid Need	\$ 1,058,990,790	\$ 1,137,047,533	\$ 1,420,868,846
FMAP Changes	45,060,034	33,734,962	46,243,814
County Non-Medicaid Expenditures	0	19,764,820	-391,227
County Medicaid Expenditures	0	218,215,177	6,546,455
County Billing Write-offs	0	955,235	-955,235
Nursing Facility Rebase	0	0	14,500,000
Primary Care Physician ACA	0	0	748,199
Home Health 2% Increase	0	761,348	0
HCBS Waiver 2% Increase Jan. 1	0	2,177,890	2,177,890
Elderly Waiver Cap Increase to \$1,300	0	2,137,244	0
Balancing Incentive Program	0	-17,800,000	-1,049,597
Total Estimated Medicaid Need	\$ 1,104,050,824	\$ 1,396,994,209	\$ 1,488,689,145
Midpoint of Balance/(Under Funded)	\$ 15,337,099	\$ -43,000,000	\$ -167,000,000
MHDS - Mental Health and Disability Services		HCBS - Home and Community-Based Services	
FMAP - Federal Medical Assistance Percentage		ACA - Affordable Care Act	

FY 2013 Range. For FY 2013, the group agreed Medicaid will have a need of \$28.0 million to \$58.0 million, with a midpoint need of \$43.0 million. The range includes the following savings and expenditures as enacted in HF 649 (FY 2012 Health and Human Services Appropriations Act) and SF 2336 (FY 2013 Health and Human Services Appropriations Act), and in addition, the forecasting group has added the Medicaid Mental Health and Disability Services expenditure previously paid for by counties:

- An increase of \$33.7 million to reflect the declining FMAP rate.
- An increase of \$5.0 million to reduce the waiting list for all HCBS waivers.
- An increase of \$4.2 million to reflect a transfer of funds to the IowaCare Program.
- A savings of \$1.6 million to reflect increased recoveries from insurance companies.
- A savings of \$4.9 million to reflect the implementation of a new health home model for individuals with multiple chronic conditions. The State will receive an enhanced 90.0% federal match rate for eight quarters as part of the federal Affordable Care Act.
- A savings of \$85,000 by aligning prescription drug reimbursements paid to physicians with drugs dispensed by a pharmacy.
- A savings of \$97,500 to reflect a Medicare Part B disallowance.
- A savings of \$780,000 to reflect additional estate recoveries from the Iowa Public Employee Retirement System.
- A savings of \$253,500 to reflect changes in payment policy for hospitals when a patient is readmitted within seven days for the same or similar diagnosis.
- A savings of \$1.0 million to reflect applying Medicaid edits on claims paid to Medicare.
- An increase of \$1.3 million to reflect forgiving disputed billings between the counties and the State for the Medicaid Program.
- A savings of \$17.8 million to reflect the implementation of the Balancing Incentive Program. The Program receives an enhanced 90.0% federal match rate. The goal of the Program is to shift care from institutional-based settings to home and community-based settings.
- A savings of \$209,000 for office supplies and equipment, technology, printing, and marketing.
- An increase of \$761,000 for a 2.0% provider rate increase for Home Health Providers.
- An increase of \$2.2 million for a 2.0% increase for HCBS waiver providers. The increase is effective January 1, 2013.
- An increase of \$2.1 million to increase the elderly waiver cap from \$1,117 per month to \$1,300 per month.
- An increase of \$250,000 to provide lodging for IowaCare patients receiving treatment over multiple days at the University of Iowa Hospitals and Clinics.
- An increase of \$238.0 million to reflect the shifting of Mental Health and Disability Services expenditures previously funded by the counties. Of this total, approximately \$218.2 million is for Medicaid services and \$19.8 million is for other non-Medicaid expenditures such as the State Resource Centers, standardized assessments, children's health homes, and administrative costs.

FY 2014 Range. For FY 2014, the group agreed Medicaid will have a need of \$137.0 million to \$197.0 million, with a midpoint need of \$167.0 million. This range has been adjusted by \$9.0 million from the previous forecast to adjust for an error in previous projections. The range includes the following:

- An increase of \$14.5 million to rebase nursing facilities, as required by Iowa Code.
- An increase of \$750,000 for primary care physician rates, as required by the Affordable Care Act.

- An increase of \$220,536 to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.

Affordable Care Act. The FY 2014 range does not include any estimates related to Medicaid expansion. The FY 2014 forecast does include the \$8.9 million in revenues that were appropriated to Medicaid for IowaCare in FY 2013. Those funds are anticipated to be needed to fund the Program for the first six months of FY 2014, and to cover that population when the Program expires December 31, 2014, but the group will wait for direction from the General Assembly and the Governor.

Enrollment Increase. Medicaid continues to grow, but at a slower pace than the past several years. In FY 2010, the Program added an additional 27,164 individuals, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In FY 2012 the Program added 10,526 individuals, including 7,630 children. The forecasting group is predicting that enrollment will continue to grow, but at a slower pace than previous years. For the first five months of FY 2013 the Program added 3,526 individuals for a total Program enrollment of 400,388.

Medicaid Enrollment Increases/(Decreases) for FY 2013					
<u>FY 2013</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
July	642	251	54	321	1,268
August	-212	-293	100	167	-238
September	588	390	112	131	1,221
October	2,058	614	206	396	3,274
November	-903	-887	-19	-190	-1,999
Total FY 2013	<u>2,173</u>	<u>75</u>	<u>453</u>	<u>825</u>	<u>3,526</u>
Grand Total	<u>230,733</u>	<u>61,845</u>	<u>30,617</u>	<u>77,193</u>	<u>400,388</u>

FMAP. The Bureau of Economic Analysis released their revised personal per capita income data for 2011 on September 25, 2012. This allowed states to calculate their final FY 2014 FMAP rates. The FY 2014 FMAP rates are based on per capita personal incomes for calendar years 2009-2011. Iowa's FY 2014 FMAP rate continued to decline, dropping by 1.53% to 58.35%. The decline means that Iowa's economy is doing better compared to other States, resulting in a smaller share of the total FMAP pie for the State. The State's FMAP rate has declined 4.94% since FY 2010 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal government to the State.

Five-Year State Regular Medicaid FMAP			
<u>State Fiscal Year</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Federal % Change</u>
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.66%	-1.53%